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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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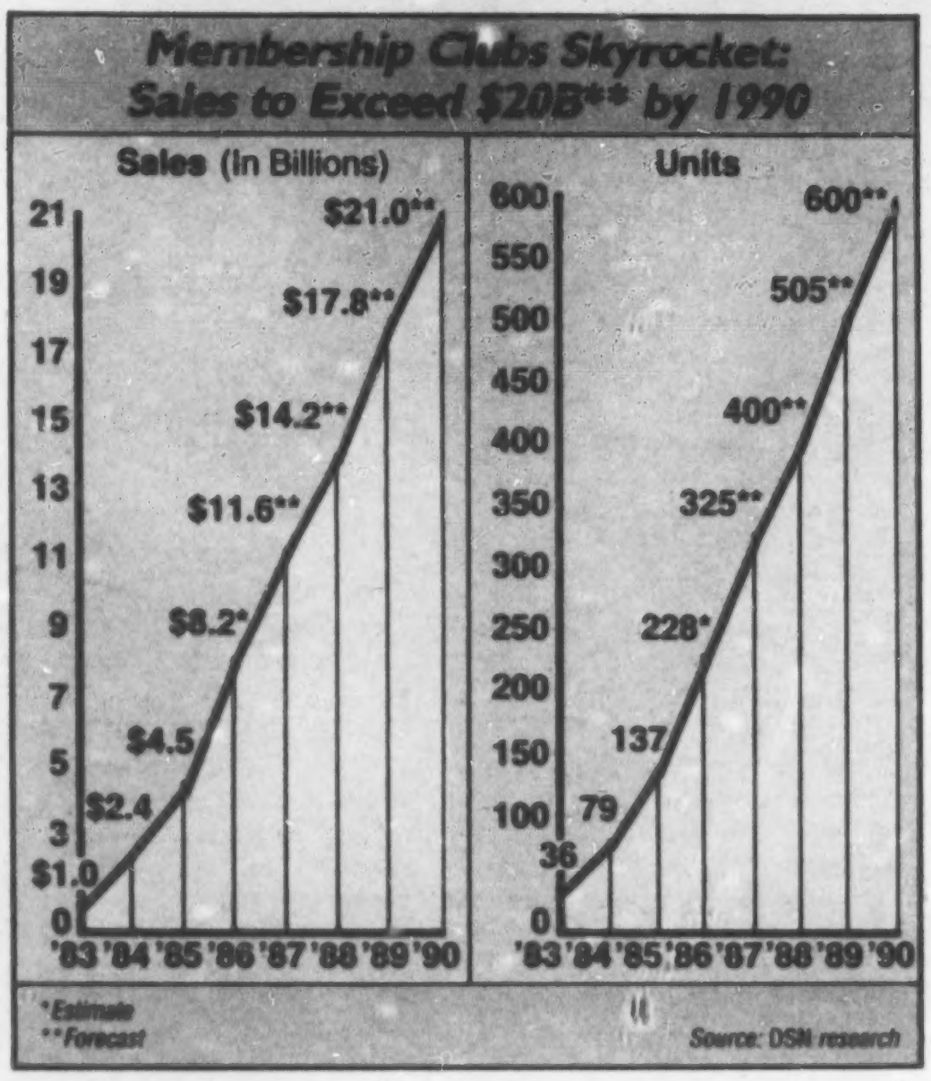
Membership Clubs Push Growth



By Ralph Raffio
Special to DSN
Nationwide Report

Increased competition and lingering difficulties at turning a profit won't deter membership warehouse clubs from continuing the rapid-fire growth they've achieved during the past four years, most retail analysts and warehouse club executives said.

Most observers said cash and carry warehouses have only scratched the surface of the market's full potential. Through steady development of new units and rising consumer familiarity with the buying concept, membership warehouses are expected to emerge one day as an even greater force than they are now. Their higher visibility, said experts, will lead to even greater sales and profits and likely will alter forever the way many people shop.

(Continued on page 25)

Best Continues on Plan After Lewis' Departure

R. Huntley *A. Lewis*

By Arthur Markowitz

RICHMOND — Andrew M. Lewis' surprise resignation late last month as chairman and chief executive officer of Best Products won't affect the troubled cataloger's plan to make "fundamental changes" in its business and strengthen its jewelry merchandising commitment.

The jewelry marketing effort includes adding up to 60 more Best Jewelry stores over the next three years to the company's current chain of 11 jewelry and giftware specialty stores.

Best's announcement of the Best Jewelry expansion—the only new stores it plans to open this year—was delayed by Lewis' resignation.

Lewis resigned following a directors meeting when Best's board, led by his father and company founder, Sydney Lewis, decided to focus the cataloger's top management responsibilities in the hands of Robert E.R. Huntley, president and chief operating officer.

Huntley, 57, has succeeded Lewis, 40, as chairman and ceo, and the company doesn't have any immediate plans to fill the president and coo post, a Best spokesman said.

Best has reportedly sounded out another cataloger's top executive who has extensive merchandising background about the president and coo post, a source told *DSN*. Huntley doesn't have any merchandising experience.

(Continued on page 93)

Losing Battle Against Losses

Heck's Files Chapter 11 Bankruptcy

By Peter Hisey

NITRO, W. Va. — Heck's, whose battle to rebound from mounting losses ended when its group of lending banks pulled the plug March 1, filed for protection from creditors under Chapter 11 March 5.

The action comes in the wake of a series of disputes between the company and New York financier Robert Toussie, who recently canceled a planned $145 million acquisition of Heck's and sued the chain for $1 million. Heck's had previously announced plans to close 29 of its 158 stores (see *DSN*, March 2, page 1), then offered them to Toussie after he criticized the decision.

A $50 million credit agreement with several banks expired on Feb. 28 and a combination of repayment demands and a cut-off of merchandise by at least some suppliers preceded the Chapter 11 filing.

Reached for comment after the chain's filing, Toussie said Heck's had not presented him with an official offer to purchase the closed units, although Heck's representatives did tell him such information would be forthcoming. In early March, the company was advertising going-out-of-business sales at all 29 stores, according to a Heck's spokesman.

Toussie, meanwhile, charged that the bankruptcy filing is the result of "unable and incompetent" direction from a management team led

(Continued on page 94)

Bradlees' Parent Fires 170; Merges Staffs, Saves $14M

BOSTON — Stop & Shop Company's previously announced cost trimming has started and will ultimately result in 170 firings, including some top vice presidents of the Bradlees discount chain.

Edward Cooney, senior vp, personnel, and Richard Silverman, vp, operations, are among those Bradlees executives whose positions were eliminated as part of the parent company's plan to merge the corporate and discount division's personnel, finance and systems departments.

The discount chain's merchandising staff is also being trimmed. Robert Whitman, vp and general merchandise manager, smallwares, home entertainment, home improvement and toys and Denis Donohue, divisional mer-

(Continued on page 94)

Cable Network Cuts Teleshopping; Cites Operator Disinterest

TULSA, Okla. — Tempo TV network has started to sharply scale back airing of teleshopping programs because of the "reluctance" of cable TV operators to add more video retailing services to their system and the "obvious downturn" in the broadcasting of such shows.

Tempo late last month canceled Shoppers University, a 90-minute program, in a financial dispute with its producer, Las Vegas-based direct marketer Horn & Hardart, that can be traced to cable operators' waning interest in adding more teleshopping shows.

Prior to canceling Shoppers University, Tempo dropped The Jewelry Showcase, a half-hour teleshopping show that the network itself produced. But Tempo last month also added Your Personal Decorator, a half-hour show produced by Washington-based Shoppers Outlet. That show enabled Tempo to temporarily air about two-and-a-half hours of teleshopping to fill out its schedule while the company decided its future commitment to video retailing.

Tempo's scaled back schedule of just three telemarketing shows, all provided by outside producers, is a far cry from the half dozen programs aired in January. At that time, executives said Tempo, which ranked 20th among cable TV networks, hoped to increase its viewership by broadcasting up to eight hours of teleshopping in a mix of shows (See *DSN*, Jan. 5, page 3).

Trade observers said that Tempo was likely to eventually drop all teleshopping and focus on international programs and local sporting events.

Supporting this view was the acknowledgment by Steve Olsen, Tempo's assistant vice president of retail sales, that the network "may not replace Shoppers University with more shopping shows."

He said that "due to the obvious downturn in televised home shopping and the reluctance we've encountered by some cable operators to provide more than a few shopping services, we are exploring new programming options."

Tempo dropped Shoppers

(Continued on page 10)

MAGIC Show Report | *Housewares Show Preview* | *Chains React To Condom Promos*

MARKETWATCH

Sears To Shut 5 Distribution Centers

CHICAGO — Sears, Roebuck & Co. will close five of its 12 distribution centers by 1989. The five affected facilities are located in Chicago, Boston, Memphis, Minneapolis and Atlanta, and will close in that order. About 5,500 employees stand to lose jobs in the moves. Sears' Chicago warehouse, the oldest of the 12, will close next month.

Off-pricer Ross Hit with Lawsuit

NEWARK, Calif. — Ross Stores reported that a class action lawsuit alleging securities laws violations has been filed against it, certain of its present and former directors and officers and the managing underwriters of its initial public offering. The company declined to comment until the complaint could be reviewed by its legal counsel. Earlier, Ross announced plans to close 25 unprofitable stores (see story, page 39).

America's Marketplace Signs Off Air

CHICAGO — MWM-Teleshopping has closed down America's Marketplace, which had been positioned as a three-hour video retailer designed to follow late-night talk shows (see *DSN*, Feb. 2, page 3). An executive said sales did not meet expectations due to the limited audience watching the 11:30 p.m. to 2:30 a.m. time period the show was aired on UHF and VHF TV stations in 15 markets. The program was picked up by a number of stations that had aired Shopping Line, another broadcast TV teleshopping show, when the latter folded (see column, page 4).

Olivers Files for Chapter 11 Protection

RIDGEFIELD, N.J. — Olivers, a 35-unit off-price chain, filed Chapter 11 at presstime after its banks refused to restructure its debt, president Joseph Wolfer told *DSN*. Although the company is currently in default of its loans ($6 million according to one report), Wolfer plans several steps to turn around the business. Four of the chains' 25 family apparel stores, offering men's, women's and children's clothing, will be closed. The leased men's departments in the remaining 19 family stores will be discontinued. Women's wear has been totally overhauled by dropping large-sizes, petite and preteen sizes and refocusing on better and moderately priced career wear. A new women's merchandise manager has been hired. The only healthy part of the business, children's wear, will be virtually unchanged. In fact, the 11th Olivers Kids store is still scheduled to open this spring.

Mervyn's Acquires Three Denver Units

HAYWARD, Calif. — Mervyn's has announced an agreement in principle to acquire three Denver Dry Goods stores from May Co. for an undisclosed amount. Conversion of the stores, located in Colorado Springs, Fort Collins and Pueblo, Col., into Mervyn's will begin after the schedules have been finalized between the two companies. The two-level, 100,000-sq.-ft. Colorado Springs location will be the first of the three to open under the Mervyn's banner and will exceed the chain's 75,000-sq.-ft. average.

FOR THE RECORD

Due to a production mishap in *DSN*'s March 2 issue, a portion of an article on a stationery seminar held at last month's Back to School show was inadvertently omitted. The complete article appears in this issue on page 20.

Ideal Security is a domestic manufacturer based in St. Paul, Minn. A product movement audit on security hardware in *DSN*'s March 2 issue incorrectly identified the firm as an overseas supplier.

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Group Solicits Discounters' Input On Use of Electronic POS Payment

WASHINGTON — The Electronic Funds Transfer Association will hold an input meeting with discounters April 22 to 23 as part of the EFTA's six-month study on how retailers evaluate the potential use of debit cards and other electronic payment services at the point-of-sale.

Similar focused planning effort (FPE) meetings will be held with conventional department stores, apparel specialty retailers and drug stores as part of the study of how 11 businesses see the future of electronic fund transfer (EFT) systems.

FPE meetings have already been held with the gasoline, convenience store and supermarket industries, with future input sessions planned for companies in the restaurant, fast food, hotel and airline businesses.

The EFTA launched the study, *Markets for EFT/POS:*

(Continued on page 10)

Membership Clubs Test EFT

Credit Card Line Provides Checks

Nationwide DSN Report

Membership warehouses have found a way to continue their long-standing "no credit card" policies while still enabling their shoppers to buy goods using plastic money.

The key to resolving this seeming contradiction is an electronic funds transfer (EFT) service through which a membership warehouse shopper can use a credit card to obtain a check to pay a club.

The FundsNet Cash Call EFT service is already in operation at BJ's Wholesale Club, Price Savers, Saveco and Net Cost Club. PACE and The Wholesale Club are testing the system. The Price Club and Sam's Wholesale Club are considering its use.

The EFT system "allows us to offer our customers the convenience of using credit cards without requiring us to increase our prices to cover the cost [of credit sales had the club directly accepted credit cards]," said BJ's vice president of operations Bob Dugan. "Cash Call offers our customers immediate cash from their VISA, MasterCard or Choice credit lines to pay for purchases they wish to make in the store."

BJ's, a division of Zayre Corp., was the first cash and

(Continued on page 93)

HSN Advances Premiere Of Shopping Game Show

CLEARWATER, Fla. — Home Shopping Network (HSN) has moved up the debut of The Home Shopping Game to June, and will air the program on the CBS-TV-owned stations in New York, Los Angeles, Chicago and Philadelphia, along with about two dozen other stations.

The program, which was to have debuted in September (see *DSN* Jan. 19, page 1), will generate over $700 million in sales in its first year on the air, HSN's president Lowell W. Paxson predicted. The daily, half-hour show, being produced by Home Shopping Entertainment, a wholly owned HSN subsidiary, will originate at HSN's Los Angeles flagship station, KHSC/channel 46. Stations that will carry the show cover about 50% of the nation.

The HSN program will follow a typical game show format with two teams competing in three rounds.

DSN 25th ANNIVERSARY — TRIVIA QUIZ: 1967

In 1967, the merger beat quickened, computers made the scene, but discounters wrestled with usable applications. Variety store discounters began to put their heavy dollars into the discount store side and the push for productivity continued.

DSN invites you to test your recall of industry events of 1967 with the questions that follow. As part of our 25th anniversary year, DSN is offering a $100 prize to the person who correctly answers the most questions.

Please type your answers, including your name, address and telephone number, on standard letterhead, and mail to:

Quiz Editor - 3/16
Discount Store News
425 Park Avenue
New York, NY 10022

Winners and correct answers to each quiz will be announced in a future issue.

1. The K mart explosion in 1967—the chain's fifth year—took the discounter beyond U.S. borders. Which of the following countries did not have the K mart sign in '67?
a) Canada;
b) Mexico;
c) Puerto Rico.

2. The question of market saturation made DSN headlines in '67. The number of new stores planned for 1967 was:
a) 150;
b) 400;
c) 700.

3. Food departments were prime traffic pullers for discounters in the mid-60's. Low margin discounter supermarket departments did sales of:
a) $25,000 a week;
b) $33,000 a week;
c) $54,000 a week.

4. By 1967 many traditional department store operators had already launched discount store divisions. Which of the following had not gone discount by that year?
a) Dayton-Hudson;
b) Allied;
c) Rich's.

25 25TH ANNIVERSARY YEAR

5. Of the variety store segment of traditional retailers, which of the variety chains had not gone the discount store route in 1967?
a) Woolworth;
b) Nichols;
c) Lamstons.

6. This was a banner expansion year for the industry. The state with the most explosive store gain, some 22%, was:
a) Texas;
b) Pennsylvania;
c) Michigan.

7. One of the biggest mergers in 1967, which positioned an East Coast discount power in California, was:
a) Vornado (Two Guys) and Food Giant;
b) Walgreen's and Crank;
c) Korvette's and FedMart.

8. New store counts grew faster than sales productivity in the mid-60's. Industry sales per square foot were virtually half today's sales figures at:
a) $52 a foot;
b) $60 a foot;
c) $68 a foot.

9. Two of the following discounters were in the industry top 10 in 1967. The chain that ranked No. 16 that year was:
a) K mart;
b) Bradlees;
c) Zayre.

10. The industry boasted two billionaires back in the '66/'67 DSN census issue. One was Kresge. The other was:
a) Spartan/Korvette;
b) Zayre;
c) Woolco.

11. K mart was No. 1 in '67—but the No. 2 discount operator, with sales of $700 million in a predominately franchise store operation headquartered in the Southwest, was:
a) Community Stores;
b) Gulf Mart;
c) Gibsons.

ELECTRONIC RETAILING

Court Decision Could Impact Teleshopping

ARTHUR MARKOWITZ

A Federal appeals court decision two years ago may have done in teleshopper Shopping Line, and that ruling could also generate static for other video retailers targeted for broadcast TV stations.

The court's decision allows cable TV systems to freely select whatever broadcast TV stations they wish to carry—and to drop those commercial channels they don't.

One New York City station may have been caught up in this situation and, for self-protection, dropped Shopping Line, thereby triggering its demise.

The court's decision upset the Federal Communication Commission's 20-year-old "must-carry" rule that requires cable TV systems to air all the local broadcast TV stations in their market viewed by a large number of households. It has resulted in cable operators selectively dropping public service and weak commercial stations, usually VHF stations that broadcast on the channel 14 to channel 83 band.

Shopping Line went off the air in January, about two months after it was launched as an around-the-clock teleshopping service for broadcast, rather than cable, TV stations. Its key outlet was WNYC/channel 31, a public service station owned by New York City, which had pioneered a unique lease-time arrangement to present the teleshopping program in nonprime time, 11 p.m. to 1:30 a.m., to get added revenues to support its regular educational fare.

Shopping Line president Reese W. Schonfeld called WNYC "far and away our best, best station. In the month of November we did $400,000 worth of business with them, paying them 10% or $40,000; in the month of December we did $1,200,000 worth of business in just those two-and-a-half hours a day. With them, we had a business, without them we didn't."

Despite Shopping Line's results, WNYC hesitated on renewing the 13-week contract, Schonfeld said at a New York chapter meeting of Television Academy. The reason why: some cable systems dropped WNYC because of the shopping show.

"This was our real problem with WNYC. It was dropped by two cable systems. Both have deals with other shopping networks, and they weren't being compensated by WNYC for carrying Shopping Line."

He noted that even before Shopping Line went on the air, Suburban Cable, one of the largest in New Jersey, had dropped WNYC and replaced it with a home shopping show in which it owned an interest.

"The natual question is, did the cable systems drop WNYC because it was carrying Shopping Line? The cable systems deny it but I don't think WNYC executives believe it for a minute," Schonfeld said.

WNYC director Mary Nichols agreed. "We got a glimmering that the cable systems didn't like what we were doing [carrying Shopping Line]." But she added there were two other reasons the station didn't renew the agreement: the show's "poor" programming and "revenues weren't as high as promised."

Schonfeld told the Television Academy that the lesson to be learned from the Shopping Line saga is clear. "I'm sure you are all aware of the must-carry law. A cable system can drop a marginal TV station for any reason. If a marginal TV station starts carrying a lot of teleshopping, it will probably cause the station to be dropped."

Direct Marketers Foresee Viability Of Selling Machines Within 3 Years

CHICAGO — Interactive video systems, the so-called selling machines or electronic catalogs, can become a viable direct marketing tool within the next three years, according to one survey.

Seventy-one percent of those polled at a recent Direct Marketing Association conference said interactive video systems can be a viable selling medium within the next three years.

Of those polled, 31% felt such systems would impact direct marketing within the year, while another 40% said it would take two to three years.

Most respondents felt that consumers were 'almost ready' to use electronic catalogs to purchase goods.

The survey, sponsored by Electronistore Services, also showed that 18% believed selling machines will be a functioning marketing tool in the next four to five years, while another 9% saw six to 10 years as the time frame. Only 2% did not think interactive video would be viable.

Most of those surveyed, 92%, also felt that teleshopping (in-home video selling) or videocassette tapes could also be an effective direct marketing tool. But only about half expected their companies could use teleshopping, with 10% foreseeing such use within a year, 27% within two to three years, 11% within four to five years and 3% within six to 10 years.

Most Appropriate Uses

As for the most appropriate uses for shopping machine technology, the direct marketers rated product information and demonstrations highest (68%), followed by information and sales of services like travel and restaurants (55%), advertising (50%), actual sales of merchandise (44%), generation of sales leads (39%) and then other uses (4%).

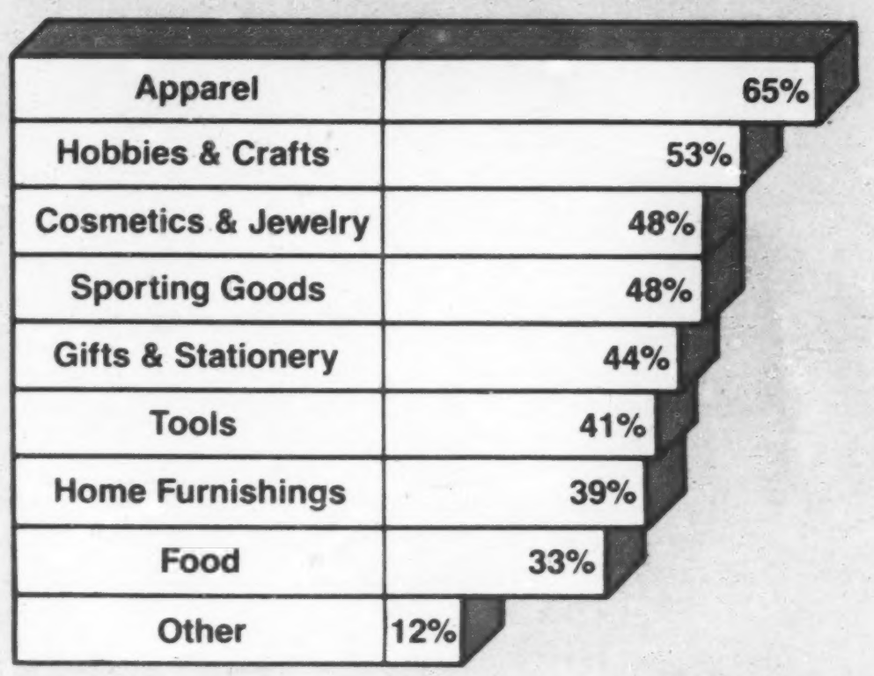
Most respondents, 67%, felt that consumers were "almost ready" to use electronic catalogs to purchase goods, with only 14% viewing consumers as "ready" to do so and 9% "not at all ready."

At the same time, 67% felt consumers were "almost ready" to use selling machines for informational purposes, 27% felt shoppers were "ready" for this use and 6% "not at all ready."

"Based on these findings, it appears direct markets today recognize the greatest potential of interactive video and are primed to take advantage," an Electronistore executive said. Electronistore, a division of R.R. Donnelley, provides customized interactive video systems.

Apparel Heads Categories Likely For Interactive Video System Sales

Direct marketers rated apparel as the top category for interactive video merchandising, with hobbies & crafts, sporting goods and cosmetics & jewelry also ranking high.



Source: Electronistore Services

Lucky Stores Continues Divestiture; Sells All 104 Yellow Fronts for $50M

DUBLIN, Calif. — Lucky Stores has announced the sale of its general merchandise Yellow Front Stores to a private New York corporation for approximately $50 million.

The sale of the 104 Phoenix-based Yellow Fronts to Kenmare represents the latest move by Lucky to divest itself of all but its grocery store holdings. Lucky recently sold its Gemco division to Dayton Hudson—parent of discounter Target—and its next step is to spin off Hancock Fabrics to shareholders.

Yellow Front Stores average only 12,000 sq. ft., but carry a broad range of general merchandise. About half the mix is apparel, a third sporting goods, and the remainder is general hard lines, housewares and some automotives. The marketing philosophy involves frequent and extensive promotions, "similar to a Mervyn's," according to a spokesperson for Lucky.

Kenmare, controlled by Daniel Sullivan, said it plans to continue running the Yellow Front Stores as they are, with no changes anticipated in the near future. According to Lucky, sale of the stores—located in Arizona, Colorado, Idaho, Nebraska, Nevada, New Mexico, Utah and Wyoming—should be completed within the next 30 days.

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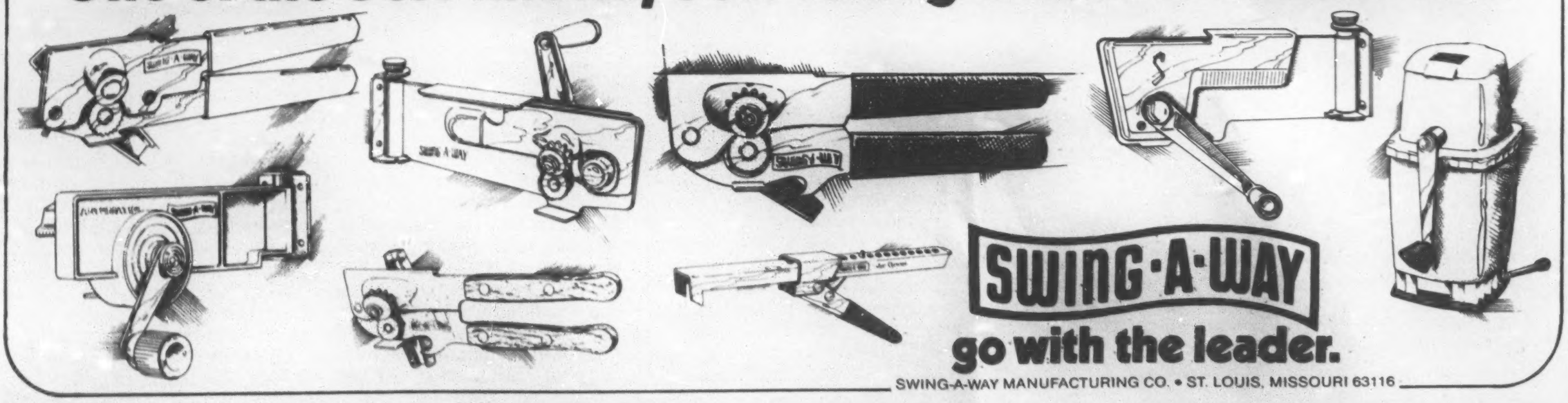

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Membership Warehouses

The membership warehouse club industry has exploded in recent years, with the top 10 chains racking up some $7.5 billion in sales last year from 208 units.

Competition, Losses Won't Deter Warehouse Club Growth

(Continued from page 1)

Since 1982, the number of warehouses has jumped from approximately eight West Coast Price Clubs to more than 230 warehouse clubs all over the country, owned by more than a dozen different companies. Total sales among warehouse clubs are estimated at about $8 billion, but they are expected to balloon to $20 billion by 1990, with similar gains in new units.

Some executives said the market can move even faster than that, however.

"Frankly, I think $20 billion is a conservative estimate," said Walter Teninga, president of Skokie, Ill.-based Warehouse Club, one of the companies that has had to pull back on new store development this year due to losses. "We're still a very long way from realizing the full potential of this channel of distribution."

Though still in its infancy, the warehouse club concept already has evolved since its inception.

"There isn't anything about PACE that's exactly the same as three years ago," said Henry Haimsohn, chairman of Denver-based PACE Membership Warehouse. Like many of its competitors, PACE has narrowed sku's to 3,000 to 3,500 from 4,000 to 5,000 sku's. Groceries and sundries continue to generate more than half of PACE's total sales, while hard lines is the next largest category.

With the industry still working on profit margins of around 10%, streamlining assortments for higher inventory turns persists. Past moves to broaden assortments and increase sku's have widely meant lower inventory turns and decreased profits for warehouse clubs that have made such adjustments, most industry watchers said. PACE and others have pared assortments across the board.

"Those who don't make these kinds of changes will be left [further] behind," Haimsohn asserted.

How many warehouse clubs the American economy ultimately will support is a question frequently raised but rarely answered, at least with any great degree of certainty. For a market as young as this one, there has been a lot of talk regarding a shakeout.

"People are already hitting head-to-head in major markets, and that will continue," predicted Alan Pennington of Pennington Associates, a retail consultant. "Eventually there will have to be a major shakeout."

Plenty of Industry Expansion Foreseen

Most industry analysts, however, still see plenty of growth left for the industry.

"It's almost impossible to predict how many warehouses the country can absorb. The market is much too young still," said Fred Windsor, a retail analyst with Alex. Brown & Sons, Baltimore. "The only thing we know for sure is that expansion will definitely be swift." Windsor expects to see soon 600 to 700 units.

The leading warehouse club chains are: The Price Company, San Diego; Sam's Wholesale Club, the Wal-Mart division based in Bentonville, Ark.; and Seattle-based Costco Inc. Price and Costco both are operating profitably, and Sam's—though Wal-Mart declines to report its earnings separately—is widely thought to be profitable as well.

Analysts and competitors applaud all three companies for their insistence on making wholesale customers their top priority, rather than expanding assortments to attract more retail customers.

Charging that many other warehouse chains have developed "open door policies" in order to increase retail sales, Costco chairman Jeffrey H. Brotman said he sees little benefit in doing so.

(Continued on page 26)

Company	Sales		Units	
	1986	1985	1986	1985
Price Company	$2.8 bil.	$1.8 bil.	27	24
Sam's Wholesale Club	1.6 bil.	775 mil.	49	23
Costco	900 mil.	366 mil.	37	17
PACE	600 mil.	375 mil.	25	16
Super Saver	400 mil.	90 mil.	20	9
B.J.'s Wholesale Club	350 mil.	200 mil.	15	11
Makro	290 mil.	240 mil.	4	4
Price Savers	200 mil.	150 mil.	6	5
Warehouse Club	185 mil.	89 mil.	14	7
The Wholesale Club	140 mil.	96 mil.	11	5

Warehouse Club, a cash and carry membership club based in Skokie, Ill., doubled its size last year, growing to 14 units generating $185 million in sales.

Warehouse Expansion to Continue

(Continued from page 25)

"We're moving in the other direction," Brotman said, noting that more than 70% of Costco's sales are generated through wholesale purchases. "Maybe we're wrong, but we think we can do better by keeping out the casual customer and by concentrating on a smaller group of more loyal customers instead."

Many agree. In fact, some membership warehouse companies are in a constant struggle to bolster the wholesale side of their business.

"At one time we were only generating 40% of sales through wholesale purchases," said John Geisse, chairman of The Wholesale Club, Indianapolis. "Today, our wholesale business is up to 69% of total sales, and we're working very hard to keep increasing that share."

Geisse said he is encouraged by his company's recent ability to attract as customers somewhat larger businesses than it had been attracting in the past.

"We've got to get more businesses converting to self-service shopping," Geisse added. "If we can do that, this market is going to become huge."

Wholesale Club's chairman is more accepting, however, of warehouse companies that go after retail business.

"The market's going to mature, and as it does, some people will decide retail is for them; others will stick to wholesale," Geisse predicted.

'We think we can do better by keeping out the casual customer and by concentrating on a smaller group of more loyal customers instead.'

—Jeffrey H. Brotman, chairman, Costco

"Things aren't black and white in this business. There aren't many rights and wrongs where that issue is concerned yet."

Having begun on the West Coast with The Price Club, which boasted units sales volumes of as high as $100 million annually, membership warehouses expanded into the Midwest and to the East Coast.

But the results have fallen short of expectations, warehouse executives said.

Volumes almost never reach the stellar proportions Price managed to generate in the West, nor are most clubs likely to reach those levels.

The Midwest is said to be a particularly difficult market right now, not only because of intense competition spurred by a large number of warehouse openings but also because of other reasons.

"Some of the larger warehouse operations, like ours, are now operating in some relatively soft markets," said Wholesale Club chairman Geisse. "Milwaukee is a very competitive market right now, for example, as is the entire upper Midwest."

Warehouse Club chairman Teninga also targets midwestern markets as a challenge to warehouse clubs but wonders whether competition is really the major problem.

"West Coast markets and places like Texas are relatively new, wide open markets," Teninga said. "Chicago, Milwaukee and Detroit aren't. Traditional sources of supply are more firmly entrenched in that region. As a result, I think it's going to take longer for warehouse clubs to get individual business owners away from their traditional source of supply than it took on the West Coast. We're talking about severely altering a traditional supply source, one that's been around a whole lot longer than any one of us."

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Housewares Sales Turn Lethargic as Domestic Prices Leap 20%

By Arnold Reinhard
Vice President, Sales & Marketing, Schreiber Company

The best word to describe the sales of housewares during both the year and the fourth quarter is lethargic, even though several most significant shifts occurred in cookware, glassware, gadget and microwave lines.

I think the current competition among the different housewares shows might have negatively affected the business, because more time than usual was spent mulling over which show to go to, weighing costs and options.

Volume during the fourth quarter gained between 4% and 6%. Industry sales fared no better or worse for 1986 as a whole. Part of the problem, in my opinion, is the consumer debt load.

I believe consumers have never owed as much as they do right now. That means shoppers probably are trying to limit credit card use and curtailing high ticket purchases until a later date when they have paid off some of their debt.

Looking at the 1986 top cookware sellers versus the year earlier, one essential difference stands out. The number of domestic vendors that rank among the top 15 items has dropped dramatically and into their place have moved imports such as Normandy and Ken Carter.

Cookware Marked-Up 20%

What has happened? Domestic manufacturers marked-up cookware about 20% during the fourth quarter, partly in response to recent legislation.

As of Jan. 1, 1987, cookware importers began paying a 7% to 10% duty. Presuming importers will pass this cost on to consumers, that still leaves at least a 10% rise in domestic cookware prices relative to foreign-made stovetop pieces and sets.

Buyers I have spoken to are concerned about what will happen to domestic sales and this concern has been translated into heavy import ordering.

Corning's Clear Advantage line of non-stick glassware failed to make the top listings to date, but I believe it will soon make the rankings following the rollout of a consumer advertising program, which should make its debut within a few weeks.

Like Clear Advantage, it is hard to tell just how fast and far the Rubbermaid bright colors are going to go, but no doubt the National Housewares Manufacturers Association (NHMA) show in April will have booths brimming with merchandise decorated in the same pallet of colors. I was amazed at the acceptance of the Rubbermaid colors at the November shows.

The attempts to increase turns and multiple sales in glassware by introducing individually packaged tumblers are not accomplishing what the marketing people at manufacturers like Anchor Hocking and Durand thought it would do. One cannot blame them for trying any tactic that could help them tread in a market flooded with low ticket imports.

At the April show, I believe we will see more glassware manufacturers trying to get out of the rat race of prices by adding more sizzle. For many, the sizzle will be themes. Whether it be a Fourth of July motif or a country styling or, like Libbey, a more sophisticated, formal meal image, themes will be the next avenue they will try.

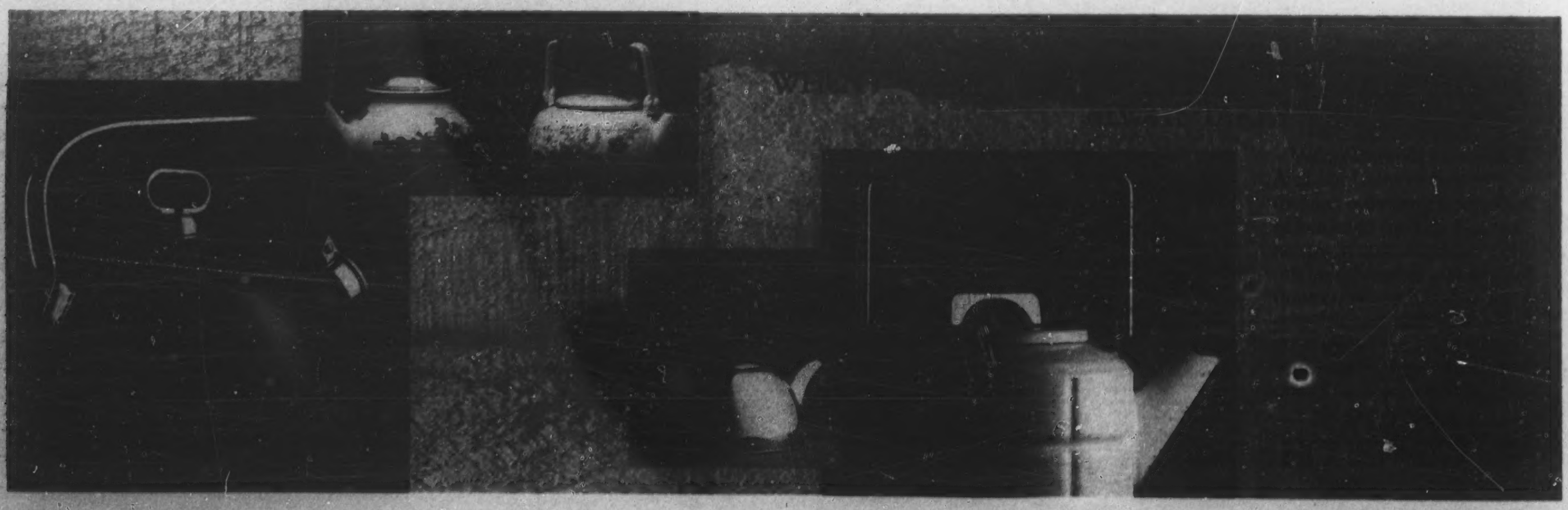
Gadgets continue to be real profit makers for retailers as the gadget wall, which had traditionally been an impulse area, becomes a shopper destination section. Colors and styles combined with practi-

(Continued on page 60)

There may be some incremental sales increases, but the primary reason why closet shop is performing somewhat better than in the past isn't really due to color. Simply put, closet shop has come out of the closet.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
TABLEWARE SETS				
1	Corl 16-144 Holly Day Set	12,974	21.91	280,316.54
2	Corl 116-4 16pc Gold	4,411	23.27	102,643.97
3	Corl 116-24 16pc Burgundy	4,016	23.27	93,452.32
4	Corl 116-23 16pc Morn Blu	3,705	23.27	86,215.35
5	Corl 116-29 16pc Rib Bouq	2,522	23.27	58,686.94
6	Corl 116-95 16pc Col Mist	2,065	23.27	48,052.55
7	Corl 220-451 20pc Peach	1,153	29.90	34,474.70
8	Corl 116-170 16pc Blu Lil	1,267	23.27	29,483.09
9	Corn 5016-73 Calco Rse 16	958	29.90	28,644.20
10	Corl 116-N 16pc White	1,160	23.27	26,993.20
11	Corl 116-172 16pc Rose	1,152	23.27	26,807.04
12	Corl 116-171 16pc Violets	1,120	23.27	26,062.40
13	Corl 220-74 20pc Windfiwr	856	30.23	25,876.88
14	Corl 320-332 20pc Pacifca	588	40.90	24,049.20
15	Corl 16-N Corelle Set Wht	992	23.19	23,004.48
GADGETS				
1	Rhod [illegible] Dazy Bell Timr	2,123	6.39	13,565.97
2	Swin 407/1 Port Open Asst	2,337	4.59	10,726.83
3	Brom 39 3cp Flour Sifter	4,455	2.24	9,979.20
4	Chup 103 Paring Knife	2,349	2.40	5,637.60
5	Brom 40 5cp Flour Sifter	1,477	3.30	4,874.10
6	Ekco 30761 Sm Turner Nyl	2,867	1.59	4,558.53
7	Ekco 08852 Can Opener	4,019	1.05	4,219.95
8	Ahsw 1574 4pk Paring Knif	3,210	1.28	4,108.80
9	Ekco 30401 Pan Turner Nyl	2,553	1.59	4,059.27
10	Ekco 00050 Peeler	3,144	1.29	4,055.76
11	Ekco 08652 Can Opener	2,640	1.52	4,012.80
12	Ekco 30431 Jmbo Turnr Nyl	2,618	1.52	3,979.36
13	Chup 104 Utility Knife	1,440	2.70	3,888.00
14	Weco 5900 Nylon Baster	4,000	.93	3,720.00
15	Ekco 25750 Wd Rolling Pin	1,145	3.23	3,698.35
COOKWARE				
1	Regl W3271 12" Goumet Pn	1,652	7.18	11,861.36
2	Regl W3270 10" Goumet Pn	2,034	5.12	10,414.08
3	Foly 797-79 7pc Pol Ss St	521	18.81	9,800.01
4	Kenc 75210C 7pc Crp Bottm	523	14.46	7,562.58
5	Norm 312 12qt Cv Pot Alm	822	9.00	7,398.00
6	Shin 107HW 7pc Ss Set	624	10.98	6,851.52
7	Lodg 8SK2 Skillet 10-½	1,078	5.45	5,875.10
8	Miro MO932-36 TKettl Cho	1,097	4.82	5,287.54
9	Norm 230D 2qt Scpan Almn	2,075	2.52	5,229.00
10	Regl W3269 81/2 Goumet Pn	1,445	3.44	4,970.80
11	Norm 376 6qt Cov Pot Alm	728	6.75	4,914.00
12	Norm 310D 1qt Scpan Almn	2,304	1.89	4,354.56
13	Foly 397-79 7pc Cook Set	103	26.31	2,709.93
14	TFal 7130 11" Frypan	180	13.28	2,390.40
15	Miro C7976 Cov Sauce Pot	370	6.35	2,349.50

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
CORNING VISIONS				
1	V-300 Saucepn St 6pc	18,035	37.02	667,655.70
2	V250P Sauc & Skil St	9,054	17.47	158,173.38
3	V-370 7pc Vision St	2,971	52.51	156,896.51
4	V-581 5qt/Free Sauce	3,219	20.84	67,083.96
5	V-360 6pc Cov Set	1,543	41.40	63,880.20
6	V-10 Vision Skill 10	3,789	15.27	57,858.03
7	V-20 1.5qt Dubl Bir	1,959	21.48	42,079.32
8	V-6 Vision Skillet 7	4,434	7.92	35,117.28
9	V-9 Vision Skillet 9	2,935	10.60	31,111.00
10	V-5 Cov Saucepan 5qt	1,426	20.84	29,717.84
11	V-2.5 Cov Pan 2.5qt	1,474	17.40	25,647.60
12	V-1.5 Cov Pan 1.5qt	1,610	14.18	22,829.80
13	V-3.5 Cov Stm/Stw	943	19.35	18,247.05
14	V-1 cov Saucepan 1qt	1,366	12.14	16,583.24
15	V-17-BP Saucepan	3,062	3.51	10,747.62
CLOSET SHOP				
1	Corr C2410 Stor Chest Cdr	15,072	1.46	22,005.12
2	Lee 3X62W Garment Rack	1,501	13.41	20,128.41
3	Mabx 288 Moth Balls 1lb	14,362	1.22	17,521.64
4	Corr C2806 Underbed Ch Cd	9,355	1.46	13,658.30
5	Lee 1562 Ex Stor Clos Wt	315	27.54	8,675.10
6	Lee 3150 Overdoor Rack	535	13.54	7,243.90
7	Corr M755 3pc Skirt Hang	3,687	1.82	6,710.34
8	Tamr 6878/144A Bulk Tb Hn	57,806	0.11	6,279.46
9	Corr M766 4 Tier Skirt Rk	2,352	2.41	5,668.32
10	Corr W2112 Sm 4 Drawr Cht	637	7.53	4,796.61
11	3X11 W841H 2 Wood Skt Hng	3,264	1.37	4,471.68
12	Mabx 287 Moth Flake 1lb	3,525	1.22	4,300.50
13	Mabx 129 Hang Block Lavnd	3,336	1.26	4,203.36
14	Tamr 6878/144B Ast Pstl H	37,716	0.11	4,148.76
15	Corr W840H 2 Wood Pnt Hng	2,935	1.37	4,020.95
RUBBERMAID				
1	2890 30gal Rghnck Ch	1,641	14.00	22,974.00
2	2965 Lndy Bskt Slate	3,251	5.07	16,482.57
3	2864 Swngtp Bskt Alm	2,032	7.45	15,138.40
4	2965 Lndry Bskt Almn	2,835	5.07	14,373.45
5	2864 Swngtop Bskt Ch	1,924	7.45	14,333.80
6	2965 Lndry Bskt Choc	2,692	5.07	13,648.44
7	2965-95 Lndry Bsk Al	3,514	3.88	13,115.52
8	2864 Swgtp Wbsk Slte	1,799	7.45	12,732.05
9	2858 Step On Can Alm	1,103	11.49	12,673.47
10	2894 32gal Rnock Cn	689	18.03	12,422.67
11	7041 Bath Mat White	2,351	5.03	11,825.53
12	2965-95 Lndry Bsk Sl	3,132	3.70	11,588.40
13	7041 Bath Mat Slate	2,057	5.03	10,346.71
14	0450 Bath Mat Slate	3,336	2.91	9,707.76
15	0450 Bath Mat White	3,334	2.91	9,701.94



Housewares Sales Turn Lethargic as Domestic Prices Leap 20%

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	BAKEWARE			
1	Ekco 64100 Cookie Sheet	5,099	2.98	15,195.02
2	Ekco 64110 Cookie Sheet	4,340	3.31	14,365.40
3	Ekco 64330 Oblong Cake Pn	4,430	2.98	13,201.40
4	Ekco 64080 Cookie Sheet	3,574	2.36	8,434.64
5	Norm 6608 OR-15 Oval Roastr 18	986	8.37	8,252.82
6	Ekco 64200 12cp Muffn Pn	2,121	3.62	7,678.02
7	Ekco 64260 Bake/Roast Pan	1,821	4.13	7,520.73
8	Ekco 64590 12" Pizza Pan	2,135	2.98	6,362.30
9	Norm OR-11 Oval Roaster 4	1,428	4.05	5,783.40
10	Ekco 94270 Broiler Pan	492	11.58	5,697.36
11	Miro C6032 Tea Muffin Pan	4,123	1.36	5,607.28
12	Ekco 64470 Loaf Pan B Sct	2,139	2.61	5,582.79
13	Ezpr 1816 Roastr/Bakr Pan	3,300	1.54	5,082.00
14	Prog 720 Springform Mold	1,325	3.82	5,061.50
15	Ezpr 1894 Lasagna Pan	3,066	1.54	4,721.64

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	CORNING			
1	430-167 Bwl St Blue	2,951	11.33	33,434.84
2	A-3-93 Cov Cass Past	1,314	16.24	21,339.36
3	A-300-93 6pc St Past	667	31.96	21,317.32
4	A-321-93 Cs/Rst Past	531	38.15	20,257.65
5	P-43-93 Pet St Pastl	1,479	11.62	17,185.98
6	A-1 ½-93 Cass Past	1,374	11.78	16,117.02
7	A-321-8 Cas/Rst Spic	421	38.15	16,061.15
8	P-43-8 Petit St Spce	1,335	11.62	15,512.70
9	A-321 Cas/Roast Corn	334	38.15	12,742.10
10	MW-375 Microwave Set	649	19.21	12,467.29
11	A500-93 Chef St Past	200	60.47	12,094.00
12	A500-8 Chef Set Spic	200	60.47	12,094.00
13	P-43 Petite Set Corn	1,002	11.62	11,643.24
14	P-104-93 Teapot Past	736	15.16	11,157.76
15	A-21-93 Roaster Past	678	11.74	11,010.72

Source: Schreiber Co., distributor, Lititz, Pa., for the period of November 1986 through January 1987, covering 825 stores, including 725 discount stores, in the Northeast, Southeast and Mid-Atlantic regions. Average retail prices reflect typical price points for mass merchandisers.

(Continued from page 58)

cality are making gadgets almost a gifty buy.

The reverse is happening in closet lines. Despite the commotion about the supposed surge in fashion closet lines like storage boxes and garment bags, I do see nothing that is really moving.

There may be some incremental sales increases, but the primary reason why closet shop is performing better isn't because color. Simply put, closet shop has come out of the closet.

The department had been considered unsightly. The awkward shapes and dull colors prompted retailers to stow away that merchandise against some corner back wall where no shoppers would happen upon it unless that was the merchandise they expressly were looking to buy.

The housewares industry is so complex—an umbrella for everything from seasonal furniture to cookie jars, indoor grills and personal care appliances—that you can't please everyone.

The decision by many manufacturers to bring color into closet lines has made retailers rethink the product's placement in the store.

Treated more like a fashion purchase, closet shop has become more visible. Any merchandise that is more visible will no doubt sell better, regardless of whether it is black or fuschia.

As far as the houseware show options are concerned, I think the NHMA probably will end up with its long-standing, January and July two-show schedule. The July show was never bad, but it never will be as popular as the January show.

January always has been the big NHMA event, with only a portion of those vendors attending the summer show as well.

The housewares industry is so complex—an umbrella for everything from seasonal furniture to cookie jars, indoor grills and personal care appliances—that you can't please everyone.

The housewares industry needs two shows. Buyers need to go to two shows to keep in touch with the industry and maintain a dialogue with their sources.

While the larger vendors could probably survive without any show, since they can afford to visit primary accounts, the smaller manufacturers require a selling arena.

WHAT DOES IT TAKE TO PLUG INTO ALL THE RIGHT HOME CENTER/ HARDWARE MARKETS?

POWER TOOLS

1987 Directory of Home Center Operators
1987/88 Directory of Hardlines Distributors

- 6,700 home centers, lumber building material companies and hardware chains operating over 19,000 units
- 230 specialty paint/home decorating chains operating 4,200 stores
- 23 buying groups serving 85,000 stores
- 2,750 houseware, paint, paint sundries, electrical heating, cooling, & other hardline items serving over 6,500,000 retailer, contractor and commercial accounts

CHAIN STORE GUIDE

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☐ Please send me _____ set(s) of the 1987 DIRECTORY OF HOME CENTER OPERATORS & HARDWARE CHAINS and the 1987/88 DIRECTORY OF HARDLINES DISTRIBUTORS for only $300 per 2-volume set—a saving of $48 off the regular price.
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Fear of AIDS Propels Rapid Growth In Condom Segment of Contraceptives

By Charles Bowlus
Vice President,
Boston Distributors

One of the hottest growth categories for 1987 will be the condom segment of the contraceptive market. Consumer awareness of the threat of AIDS is the driving force behind this growth, with health organizations, family planning groups and government agencies providing the impetus.

President Reagan and the Surgeon General of the United States have openly recommended the use of condoms and have supported efforts on the part of the manufacturers to procure TV advertising for their products. With support from the top, it is only a matter of time until Ansell, Young and Schmid will be on the air educating the American public about the importance of using condoms in combating the spread of AIDS.

The $115 million condom market is presently broken down as follows:

- Lubricated 32%;
- Ribbed 27%;
- Dry 24%;
- Spermicide Lubricated 11%.

Eighteen percent of the market, spreading across the lubricated segments, is being done in natural skins with the remainder going to the latex brands. Boston's top selling sku, reflecting the strength of the segment as well as the dominant position of the brand, is Trojan's ENZ Lubricated Condom in the popular dozen package.

Young's Trojan brand, with six put-ups landing in our top 15, also took the No. 2 spot with its ribbed put-up and the No. 4 rank with the dry sku. Ramses, from Schmid Labs, was in the No. 3 spot with its spermicidal lubricant condoms, also in the dozen package. Lifestyles took the No. 5 ranking, with its ultra thin Nuda package, and No. 6, with its ribbed Stimula brand. Ansell, the makers of Lifestyles, is leading the effort to obtain approval of TV advertising for male contraceptives.

Discounters should merchandise condoms in the contraceptive section next to other feminine hygiene products since women are the primary shoppers for these purchases.

$ Rank	Item	Unit Movement	Average $ Retail	Total $ Movement
	CONDOMS			
1	Trojan ENZ Lubricated, 12's	10,207	4.19	42,767
2	Trojan Ribbed, 12's	7,806	5.39	42,074
3	Ramses Extra, 12's	6,418	5.69	36,518
4	Trojan Regular, 12's	11,018	2.99	32,944
5	Lifestyles Nuda, 12's	5,760	4.19	24,134
6	Lifestyles Stimula, 12's	5,447	4.19	22,823
7	Excita, 12's	4,204	5.39	22,660
8	Sheik Lubricated, 12's	5,161	4.29	22,141
9	Trojan ENZ, 12's	6,084	3.49	21,233
10	Fourex, 3's	2,920	6.39	18,569
11	Sheik Reservoir, 12's	3,745	3.99	14,943
12	Trojan ENZ Lubricated, 36's	984	10.99	10,814
13	Trojan Regular, 36's	832	7.69	6,398
14	Excita, 36's	410	14.79	6,064
15	Sheik Ribbed, 12's	1,140	5.99	6,829

Source: Boston Distributors, Maple Heights, Ohio, for calendar 1986. Average retail prices reflect typical prices for discount stores.

Condom Ads Draw No Adverse Public Reaction

(Continued from page 69)

Retail prices for LifeStyles usually range from $4 to $5 a dozen, Hoffman said. Deep discounters such as Drug Emporium, however, still can "make money, but not a lot" at $2.12 a dozen, he said.

For many chains, margins on condoms run from 50% to 65%.

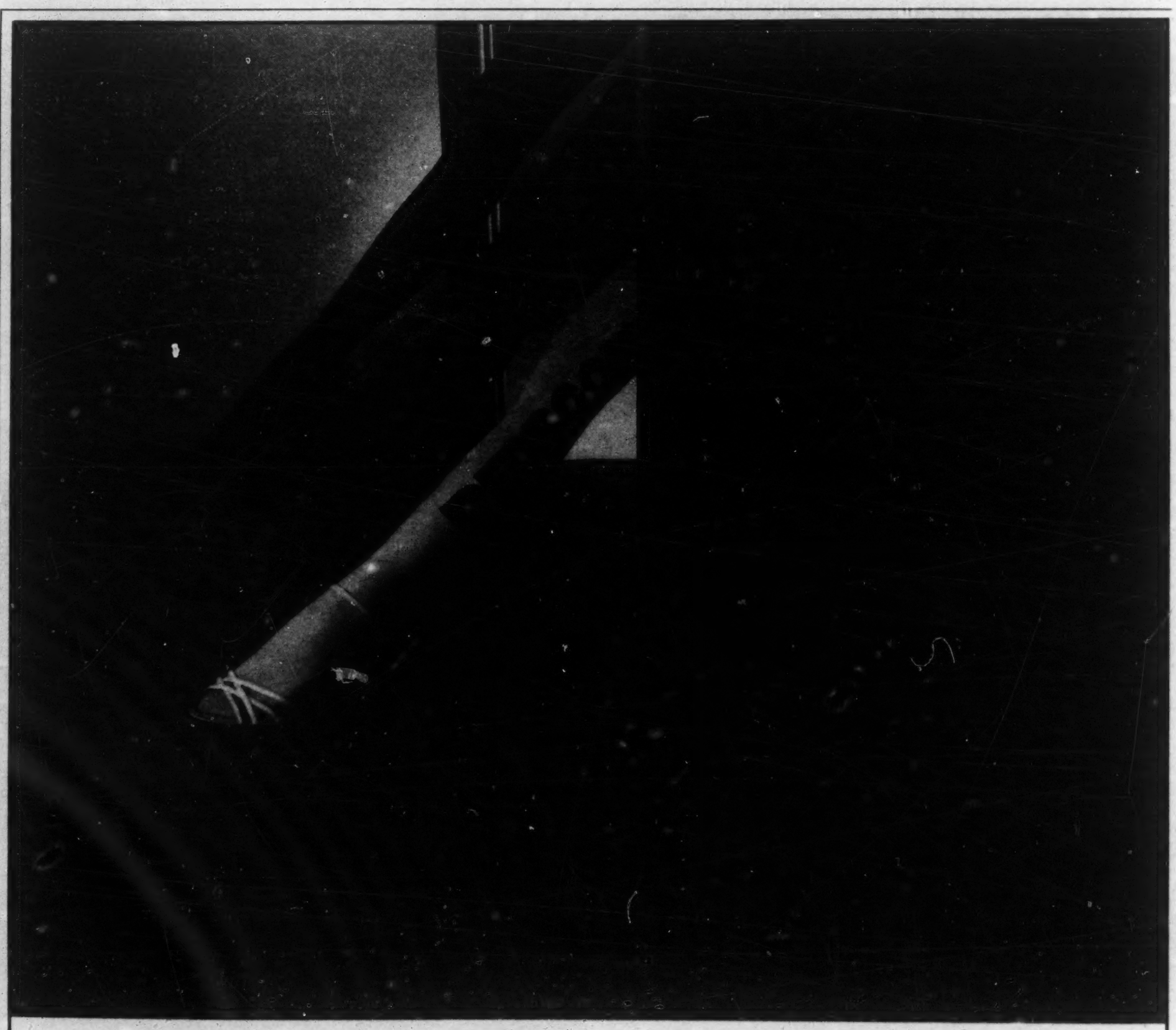
On print and radio advertising, Ansell offers a co-op ad program, Hoffman said, but TV advertising is too expensive for co-op.

So far, Perry is holding off advertising. "Condoms are going to sell like hotcakes, whether we advertise or not," said Rainey, the pharmaceuticals buyer. "I'm not sure whether it would be cost effective," she said.

Revco has advertised condoms in print for years through various co-op programs of manufacturers, said Ochuly. Over the years, the advertising has drawn only an occasional letter of protest, she said. But results of the advertising "are hard to measure," Ochuly added.

K mart plans no condom advertising, said Kramer.

Wal-Mart also has no plans to advertise condoms, said Meyer. "We probably won't, because it's so controversial," Meyer said.



To acquaint you with our complete department of foot products, we're launching a major consumer advertising effort this Spring. We're advertising No-Slips ball-of-foot cushions for women's high heeled shoes and sandals.

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So, put your best foot forward. Cash in on the 12,679,221 cumulative audience members our ad campaign will reach this spring. Stock up on No-Slips now.

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Call our Consumer Products Division at (718) 522-0520. Or write us at 127 Wallabout Street, Brooklyn, NY 11206.

Premier

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Photo Shipments in '86 Hold Flat at $18B, Commerce Reports

WASHINGTON — The sales picture for consumer photographic products remained out of focus during 1986, concluded a U.S. Commerce Department anaylsis.

Shipments by U.S. photo supplies manufacturers recorded no increase at all in 1986, researchers reported. Shipment value remained at $18 billion in both 1985 and 1986. The standstill was particularly significant because it compounded an even worse 1984 scenario when shipments dropped 4.2%.

Nose-diving sales of the disc camera spearheaded the bleak performance by the photo equipment industry last year. Unable to compete with compact, automatic non-SLR (single-lens reflex), 35mm cameras, discs dropped 4% to 600,000 unit imports in 1986.

"Improved film, telephoto models and fashion colors failed to increase consumer interest in disc cameras," researchers said.

Nose-diving sales of the disc camera spearheaded the bleak performance by the photo equipment industry. Unable to compete with compact, automatic non-SLR, 35mm cameras, discs dropped 4% to only 600,000 unit imports in 1986.

In contrast, the new autofocus SLR 35mm camera "helped to renew consumer interest in this previously stagnate product group," government researchers concluded. SLR imports rose 5% to 3.5 million units in 1986.

In addition, "moderately-priced" non-SLR 35mm camera imports were also on the rise—up 30% to 3.7 million last year. Value of SLR and non-SLR 35mm imports topped $600 million in 1986. ("Very few" 35mm cameras are made in the U.S.)

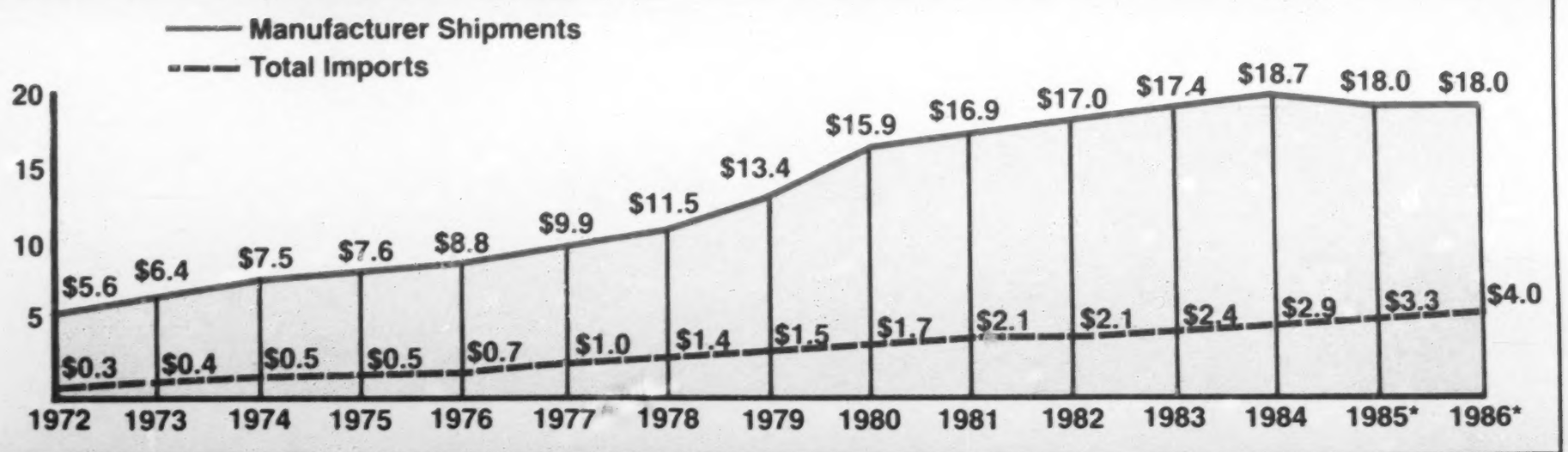
On the home front, however, Polaroid introduced a new instant camera system—the first in 14 years.

"The success of this system may result in the first upturn in instant camera sales in eight years," economists predicted. "Amateur" instant camera sales have dropped each year after the peak year of 1978.

The Polaroid newcomer incorporates electronic functions, including automatic focus, exposure, picture ejection and film advancement.

Nonetheless, U.S. photo industry shipments will remain flat in 1987 and probably stay under 2% annual gains for five years, economists warned.

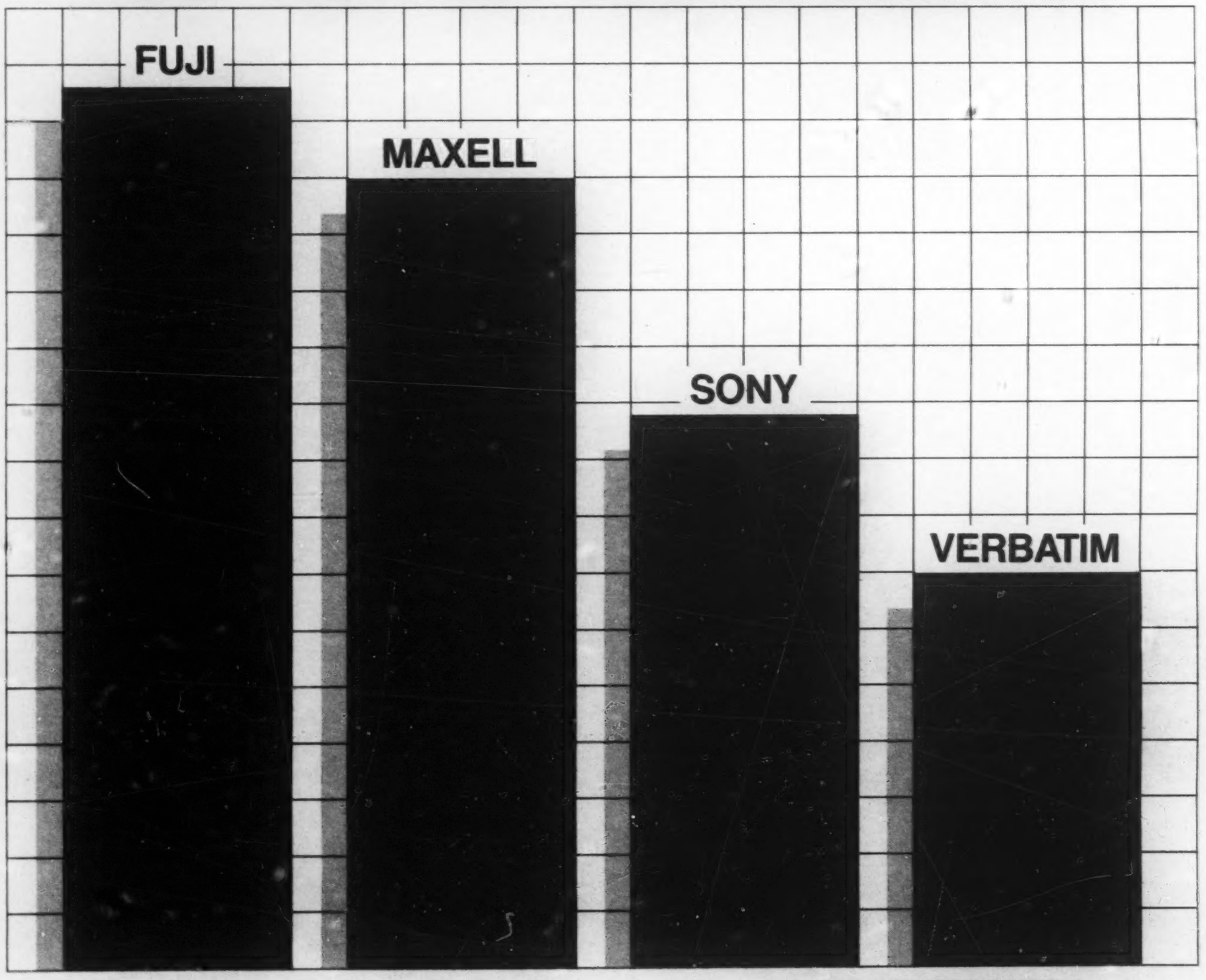
Photo Equipment & Supplies: Value of Shipments and Imports, 1972-1986
(In Billions)



*Estimate

Source: U.S. Commerce Department

FUJI. THE DISK THAT'S AT THE TOP OF THE CHARTS.



When we heard the results of a recent independent retailer survey, it was music to our ears.

Researchers talked to VARs and PC retailers over a five-month period. And during that time, more of them named Fuji as their best-selling diskette than any other brand.

The reason? Fuji disks, like our other high-quality magnetic products, offer consumers exceptional performance. And they offer retailers, dealers and distributors exceptional profit margins and promotional opportunities. So if you think you can still make it to the top of the sales charts without carrying Fuji, it may be time to change your tune.

For more information about Fuji products, promotions and dealer incentive programs, call your regional representative listed below or 1-800-367-3854. FUJI

Source: SRI Research © 1987 Fuji Photo Film U.S.A., Inc. Computer Media Division, 555 Taxter Rd., Elmsford, NY 10523

Northeast Region: 1-800-526-9030 In New Jersey: (201) 507-2500
Southeast Region: 1-800-241-6005 In Georgia: (404) 441-2222
Central Region: 1-800-323-4826 In Illinois: (312) 569-3500
Western Region: 1-800-241-7695 In California: (213) 636-0101

Commerce Projects 5.9% Slump in 1987 Toy Shipments

WASHINGTON — The Teddy Ruxpin-inspired avalanche of dolls, plush toys and action figures on the 1986 toy market will continue to glut retailers' inventories through 1987, the U.S. Commerce Department predicts.

In a recent study of the U.S. marketplace, government economists cautioned that the rise in personal disposable income expected this year (2.4%) will not offset the 1986 toy glut, which left many businesses with unsold stock still in warehouses.

"The inability of the industry to establish new product trends resulted in increased inventories being carried over into 1987," economists said. As a result, they projected that shipments of dolls will drop about 1.8% this year. Toys and games will be hit even harder, with shipments predicted to slump more than 6.5%. Overall, toy shipments are expected to drop 5.9%.

Significantly, U.S. toy industry performance in 1986 already was "lackluster."

Value of toy shipments rose from $4.72 million to $4.76 million in 1986, the Commerce Department estimated. However, the minimal dollar increase represented a drop of 0.9% in shipments when adjusted for inflation. Doll shipments were down 1.2%, and games and other toy shipments dropped 0.9%.

"These declines reflect the inability of the industry to develop substitutes for the excitement-generating products of previous years," researchers said. For example, Coleco's Cabbage Patch Doll, Hasbro's Transformers and Tonka's Pound Puppy all have dominated the market.

At the same time, one of the previous "blockbuster" toys was backfiring on the industry. Hoping to duplicate the success of Worlds of Wonder's Teddy Ruxpin, "every major manufacturer produced an entry for the talking plush segment of the market," they reported. But the new toys came when high prices and a reported defect in the prototype had made consumers wary of these products, they said.

Better Years Foreseen

Government forecasters are painting a rosier picture, however, for toy sales from 1987 to 1991.

"Favorable demographics and projections for real personal disposable income, combined with the ability of manufacturers to stimulate consumer demand, point to a rebounding of the U.S. industry," they said. During the 1987 to 1991 period, shipments of U.S.-made dolls and toys should increase an inflation-adjusted 1.7% per year.

Value of Shipments: Dolls, Toys & Games, 1972-1986*
(In Millions)

	1972	1984	1985**	1986**	% Change 1972-1984	% Change 1979-1984	% Change 1984-1985	% Change 1985-1986
Value of Shipments*	$1.9	$4.6	$4.7	$4.8	7.6%	4.2%	1.7%	1.0%
Dolls	0.2	0.6	0.6	0.6	9.9	12.7	3.9	−1.1
Toys & Games	1.7	4.0	4.1	4.1	7.3	3.2	1.4	1.3

*Value of all products and services sold by the dolls, toys & games industry.
**Estimate

Source: U.S. Commerce Department

Toy Makers Warn About Knockoffs

(Continued from page 77)

is certainly fair to say any retailer would consider carrying it if level of profitability is acceptable," said George Colgan, senior toy buyer, Troy, Mich.-based K mart.

"The customer is the ultimate test whether the item is acceptable. If the customer doesn't buy it, it won't last, and only the original will be important," Colgan said.

For example, when the Cabbage Patch dolls craze was at its zenith, said Colgan, many retailers carried look-alike dolls that did not infringe on trademark or patent rights and were avidly sought by customers because they could not get Cabbage Patch dolls.

Colgan noted that those manufacturers did well for about a year and a half until the original product was available to general public. Then the interest in the look-alikes faded.

"If the vendor who made the product popular makes significant product to satisfy market demand, knockoffs would not exist to any great degree," Colgan added.

Mattel Inc. protects its properties by working closely with the Customs Department. If Mattel suspects or hears of a problem, it will notify customers with ads in various trade magazines.

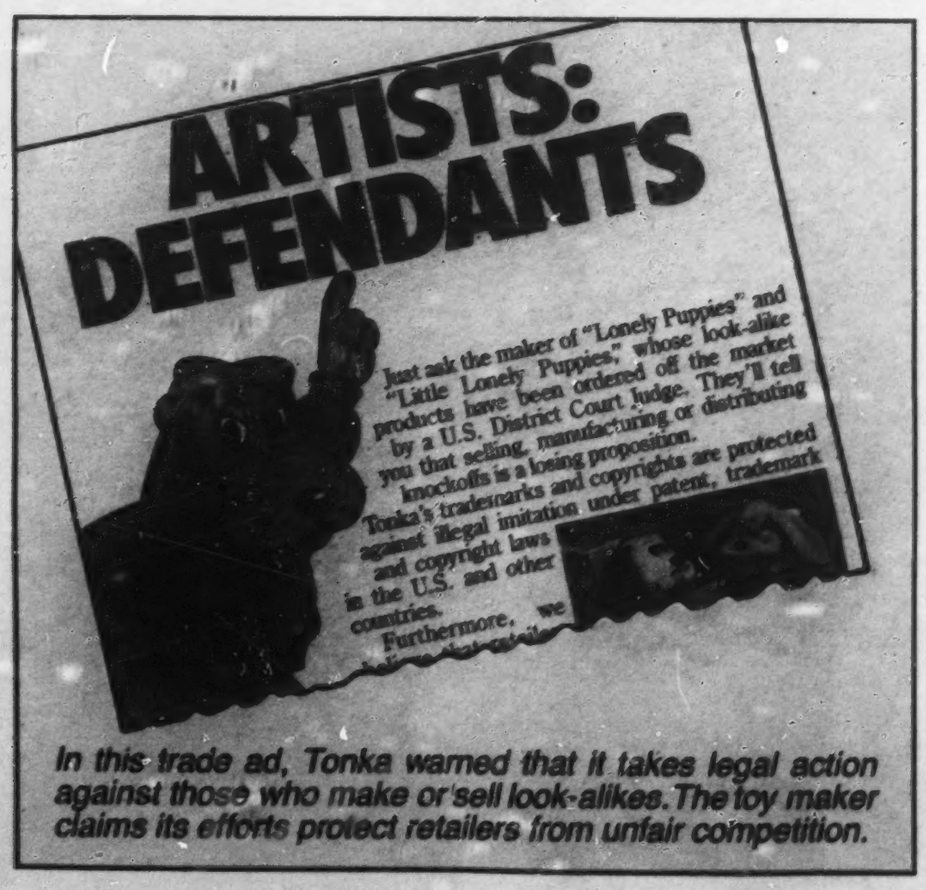
"We will defend ourselves by notifying our customers in trade publications that they will lose money on these knockoffs," said Loren Hildebrand, executive vice president, sales and merchandising for Mattel.

"If some slip in, we ask retailers to take them right off the shelves and stop it," she said. "If we spot something on the shelves that we feel is an infringement, we will call the customer right away so there are no surprises when we pursue it."

Mattel employs 150 representatives who work in-store with point-of-presentation displays, Hildebrand said, and while there, they look for possible infringements and knockoffs.

Instead of advertising in trade publications, "manufacturers should monitor what is going on in the marketplace to make sure no one can take their trademarks," advised Pete Kelly, senior vice president, sales, Kenner Products, Cincinnati, Ohio.

"If you don't take action when trademarks are trespassed on, you are in a sense saying, 'It is all right.' And if you don't act on one knockoff product and then act on another, the accused manufacturer is saying, 'Why me?' Manufacturers need diligent protection and should not let these measures weaken," Kelly emphasized.


ARTISTS:
DEFENDANTS
Just ask the maker of "Lonely Puppies" and "Little Lonely Puppies," whose look-alike products have been ordered off the market by a U.S. District Court Judge. They'll tell you that selling, manufacturing or distributing knockoffs is a losing proposition.
Tonka's trademarks and copyrights are protected against illegal imitation under patent, trademark and copyright laws in the U.S. and other countries.
Furthermore, we

In this trade ad, Tonka warned that it takes legal action against those who make or sell look-alikes. The toy maker claims its efforts protect retailers from unfair competition.

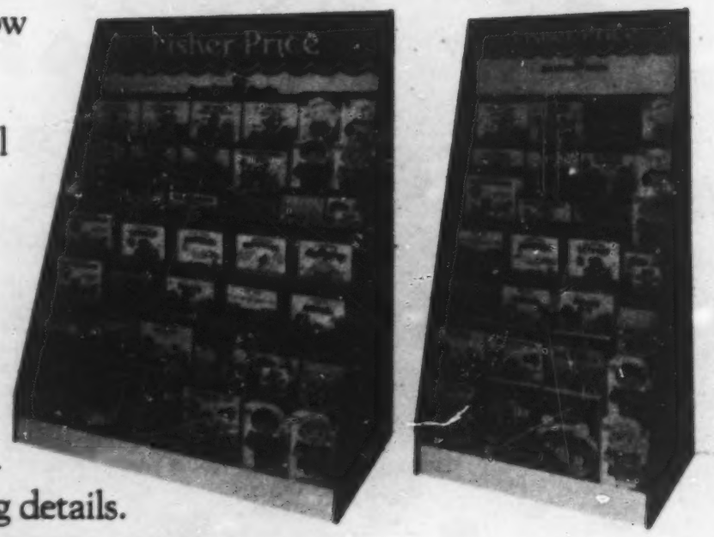
America, get reading.
Read a poem aloud each night before dinner. Read to your kids.
Make all your gifts books.
Subscribe to a magazine you've always wanted. Read the book before you see the movie.
Make sure everyone in your family has a library card.
Make sure they use it.
Experience the power and pleasure of reading.

Use America's libraries.

American Library Association

The story on Little People profits.

Little People Books know how to make big people profits. Order our new 4′ or 2½′ permanent display and you'll get more turns per square foot than you ever thought possible — that's the power of the Fisher-Price brand. And by ordering displays you might just end up as a character in a Spider-Man® comic! Ask your Marvel representative for all the exciting details.



Fisher-Price
Little People Books

MARVEL BOOKS 387 Park Avenue South, New York, NY 10016, 212-696-0808

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